



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA  
Chief Executive Officer

June 4, 2013

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To: Supervisor Mark Ridley-Thomas, Chairman  
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From: William T Fujioka  
Chief Executive Officer

## SACRAMENTO UPDATE

### Executive Summary

This memorandum provides an update on: 1) State Budget items of significant interest to the County, including items to be considered by the Budget Conference Committee; and 2) a report on items of County interest which will be heard by the Joint Legislative Audit Committee regarding Measure B trauma funds and the Child Protective Services Program.

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### Budget Conference Committee

On May 31, 2013, the Budget Conference Committee convened to consider the differences in actions taken by the Assembly and Senate Budget Committees. The Conference Committee conferees are:

Senator Mark Leno (D), Chair	Assembly Member Bob Blumenfield (D), Vice Chair
Senator Kevin De Leon (D)	Assembly Member Holly Mitchell (D)
Senator Loni Hancock (D)	Assembly Member Nancy Skinner (D)
Senator Bill Emerson (R)	Assembly Member Jeff Gorell (R)

The Conference Committee is tentatively scheduled to meet through June 7, 2013. Upon completion of the Conference Committee agenda items, the budget proposal will be taken up by each house of the Legislature, which must pass the budget by the June 15<sup>th</sup> Constitutional deadline.

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Below is a report on State Budget items of significant interest to the County, including items which will be considered by the Budget Conference Committee.

### Implementation of Health Care Reform

- **Realignment of Social Services Programs.** The Assembly and Senate Budget Committees rejected the programmatic aspects of the May Revision proposal to shift to counties greater responsibility for the CalWORKs and CalWORKs-related child care programs, and CalFresh administration costs, as the State assumes more responsibility for health care programs. Instead, the Committees adopted placeholder trailer bill language to implement a fiscally-based transaction to the extent that savings in 1991 Realignment from health care reform are available to offset the State General Fund. **This item is not expected to be considered by the Budget Conference Committee.**
- **Optional Medi-Cal Expansion and County Savings Methodology.** The Assembly and Senate Budget Committees adopted the Governor's May Revision proposal for a State-based expansion of the Medi-Cal Program, and adopted alternative proposals to develop a methodology to determine county savings under the expansion.

The Assembly Budget Committee adopted placeholder trailer bill language to: 1) implement a methodology to calculate the savings that counties would incur as a result of the expansion; 2) require that savings be shared between the State and counties; and 3) require that the methodology protects and preserves resources for the public health safety net. The Senate Budget Committee adopted modified placeholder trailer bill language to establish a mechanism to share potential savings which would take into consideration differences between counties, e.g., public hospital counties and County Medical Services Program counties, and which would ensure that counties maintain adequate funding for ongoing indigent care, public health responsibilities and infrastructure development. **This item is not expected to be considered by the Budget Conference Committee.**

- **Mandatory Medi-Cal Expansion.** Both legislative budget committees rejected the May Revision proposal to provide \$186.7 million in State General Funds for caseload costs associated with the implementation of the Medi-Cal simplifications for existing eligible persons required under the Federal Affordable Care Act and, instead, adopted the Legislative Analyst's Office (LAO) estimate of \$104.0 million. **This item is not expected to be considered by the Budget Conference Committee.**

- **County Administrative Costs and Health Care Reform Implementation.** The Senate and Assembly Budget Committees approved the \$71.9 million increase in State General Fund expenditures proposed in the May Revision to cover county administrative costs associated with the implementation of the health care reform. Additionally, the Committees approved a proposal by the County Welfare Directors Association (CWDA) to allow a one-time rollover of potential unspent funds from the current year for CalWORKs Single Allocation to county administration, up to a maximum of \$120.0 million in the State General Fund. CWDA indicates that counties will need \$120.0 million in order to implement health care reform in an efficient and timely manner. The Assembly Budget Committee also adopted trailer bill language to require the California Department of Social Services to hold stakeholder groups on this issue. **This item is not expected to be considered by the Budget Conference Committee.**
- **Medi-Cal Adult Dental Benefits.** The Senate Budget Committee adopted \$131.0 million in State General Fund revenues to restore Medi-Cal Adult Dental Benefits. The Assembly Budget Committee did not hear this item. It was not included in the May Revision. **This item will be considered by the Budget Conference Committee.**

#### **Mental Health**

- **Mental Health Wellness.** The Senate Budget Committee adopted \$206.2 million for the Investment in Mental Health Wellness, as proposed by Senate President pro tempore Darrell Steinberg. This proposal was not included in the May Revision and the Assembly Budget Committee did not consider it. **This item will be considered by the Budget Conference Committee.**
- **Applied Behavioral Analysis Services.** The Senate Budget Committee added Applied Behavioral Analysis Services to Medi-Cal Managed Care for children with autism spectrum disorders transitioning from the Healthy Families Programs to Medi-Cal, and adopted \$50.0 million in one-time funding for this purpose. This proposal was not included in the May Revision and the Assembly Budget Committee did not consider it. **This item will be considered by the Budget Conference Committee.**

## Social Services

- **CalWORKs.** The Senate and Assembly Budget Committees approved the CalWORKs program proposal contained in the May Revision, which as previously reported, includes \$48.3 million for FY 2013-14 to establish a robust up-front appraisal process, enhanced family stabilization, and an enhanced subsidized employment program.

The Assembly Budget Committee also adopted additions to the CalWORKs May Revision proposal, including \$212.37 million to provide a Child Poverty Adjustment to monthly CalWORKs grants, so that after a five-year period, maximum grants would be equivalent to 50 percent of the Federal Poverty Level. This would begin with a 12 percent increase in the maximum grant, starting January 1, 2014, and continue with approximately 4.5 percent increases for each of the following four years, among other provisions; \$10.0 million in FY 2013-14 for family stabilization which includes expanding the subsidized employment program; and \$15.0 million in FY 2013-14 to limit the maximum family grant to two years, and eliminating the vehicle asset limit under the CalWORKs program, among other provisions. **This item will be considered by the Budget Conference Committee.**

**CalWORKs Child Care.** The Senate and Assembly Budget Committees adopted the May Revision proposal of \$399.2 million in funding for Stage 1 Child Care. The Budget Committees took similar actions on Stage 3 Child Care to approve funding to backfill scheduled Federal sequestration cuts and provide caseload adjustments to fund Stage 3 Child Care at \$200.0 million, \$57.0 million above the May Revision proposal. However, the Budget Committees took different actions on Stage 2 Child Care. While both adjusted for lower caseloads as recommended by the LAO, the Senate Budget Committee approved funding for Stage 2 at \$339.0 million. The Assembly Budget Committee approved funding at \$387.0 million. **This item will be considered by the Budget Conference Committee.**

- **Coordinated Care Initiative (CCI).** The Senate and Assembly Budget Committees adopted the revised CCI savings of \$119.6 million in State General Fund as a result of the proposed changes in the May Revision, including the delay to the CCI start date from October 1, 2013 to no sooner than January 1, 2014. In addition, both committees adopted placeholder trailer bill language to extend Medicare special needs plan contracts to ensure continuity of care. **This item is not expected to be considered by the Budget Conference Committee.**

- **In-Home Supportive Services (IHSS).** The Assembly and Senate Budget Committees adopted the \$176.4 million in State General Fund savings and changes to conform to the recent IHSS court settlement agreement. This agreement was incorporated into SB 67 (Chapter 4, Statutes of 2013), which was signed by the Governor on May 30, 2013, and includes an 8 percent across-the-board reduction to IHSS services hours to begin July 1, 2013 for one fiscal year; a 7 percent across-the-board reduction beginning in FY 2014-15 and each fiscal year thereafter, unless it is partially or fully “triggered off” by the State obtaining Federal approval for an assessment on home care services that draws down additional Federal funds, among other provisions. **This item is not expected to be considered by the Budget Conference Committee.**

#### **Public Safety**

- **Courts.** The Senate and Assembly Budget Committees approved an augmentation of \$100.0 million to support court operations, of which \$94.0 million would be directed to support trial courts and \$6.0 million to support the Court of Appeals, the Supreme Court, and the Habeas Resource Center. The Assembly Budget Committee also adopted budget bill language to specify the funding allocation methodology and trailer bill language regarding public notices for working groups and open meetings. This item was not included in the May Revision. **This item will be considered by the Budget Conference Committee.**

#### **General Government**

- **State Mandates.** The Senate Budget Committee adopted the May Revision proposal to suspend the Public Records Act and the Local Agency Ethics Training Mandate. The Assembly Budget Committee rejected the May Revision proposal. **This item will be considered by the Budget Conference Committee.**

#### **Economic Development**

- **Enterprise Zone Reform Proposal.** The Senate Budget Committee adopted placeholder trailer bill language, proposed by the Administration, which would redeploy resources currently committed to the Enterprise Zone programs and the New Jobs Credit. It proposes to modernize the State’s job creation and economic development incentives by reshaping existing programs and includes: 1) hiring credit for businesses in specific areas with high unemployment and poverty rates; 2) a sales tax exemption on manufacturing and biotech research and

development equipment; and, 3) an incentive fund to provide business tax credits in exchange for investments in California. The Assembly Budget Committee heard this issue but took no action. **This item will be considered by the Budget Conference Committee.**

## **Environment and Natural Resources**

- **Cap and Trade Auction Revenues.** The Senate Budget Committee adopted the May Revision proposal to loan \$500.0 million from the Greenhouse Gas (GHG) Reduction Fund (Cap and Trade auction revenues) to the State General Fund. The Assembly Budget Committee reduced the loan to the State General Fund to \$400.0 million, leaving the remaining \$100.0 million unappropriated and subject to legislation. The Assembly Budget Committee also adopted budget trailer bill language to require the loan repayment to begin in FY 2014-15 at \$100.0 million per year and adopted a new special fund loan of \$100.0 million to replace the lost funding. **This item will be considered by the Budget Conference Committee.**
- **Proposition 39 Implementation.** The Senate Budget Committee rejected the May Revision proposal to allocate \$413.0 million in Proposition 39 funds for K-12 education on a per average daily attendance basis to school districts, charter schools, and county offices of education and, instead, allocated those funds to K-12 education school pursuant to legislation. The Senate Budget Committee adopted the May Revision proposals to allocate \$51.0 million for community colleges on the basis of full-time equivalent students and to implement a \$15,000 minimum grant for exceptionally small schools and \$50,000 for all other small schools. The Assembly Budget Committee allocated all \$464.0 million in Proposition 39 funds for K-12 schools and community colleges pursuant to trailer bill language that would distribute funds on a regional per pupil basis. **This item will be considered by the Budget Conference Committee.**

## **Joint Legislative Audit Committee Hearing**

On June 5, 2013, the Joint Legislative Audit Committee will conduct a hearing to consider audit requests for various issues, including the following items of importance to the County.

- **Measure B Trauma Funds.** The Audit Committee will consider a request by Assembly Member Roger Hernández to examine the allocation and management of Measure B Funds by Los Angeles County. Measure B, which was approved by voters in November 2002, authorized the County to levy an assessment on

properties in Los Angeles County, and those revenues are used countywide to maintain a system for emergency services, trauma care, and bioterrorism preparedness. Cathy Chidester, the Department of Health Services Emergency Medical Services Agency Director, will provide testimony at the hearing.

- **Policies and Procedures for Removing Children.** The Audit Committee will consider a request by Assembly Members Mike Gatto and Tim Donnelly for a review of the Child Protective Services Program in three counties, including Orange County. Specifically, the audit would include a review of the policies and procedures regarding when a child's circumstances are being evaluated for removal from the home. The audit would be used to determine when it is appropriate to take a child into protective custody and how the determination is made that the risk of harm to the child is so great that it warrants removal, and how various counties interpret State and Federal law regarding this matter.

Although Los Angeles County has not been identified in the audit request at this time, the State Auditor will be selecting two additional counties and the County could be selected. A representative from County Counsel is expected to attend the hearing.

This office will report on the outcome of the hearing on the two above items.

We will continue to keep you advised.

WTF:RA  
MR:VE:IGEA:ma

c: All Department Heads  
Legislative Strategist  
Local 721  
Coalition of County Unions  
California Contract Cities Association  
Independent Cities Association  
League of California Cities  
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